GOVERNMENT OF INDIA
FINANCE
LOK SABHA

STARRED QUESTION NO:45
ANSWERED ON:18.11.2016
Goods and Service Tax
Reddy,Kotha Prabhakar;Trivedi Shri Dinesh

Will the Minister of FINANCE be pleased to state:

a) the salient features of Goods and Service Tax (GST) and its benefits to various stakeholders including Centre, States, Industry and Consumers, its present status and the likely date of its implementation;

b) whether the Government has reached a consensus with the States and other stakeholders on various contentious issues like cess on certain items of consumption and also compensation to States for losses post implementation;

c) if so, the details thereof and the outcome thereon;

d) whether the said Bill has been passed by many of the States and if so, the details thereof, State-wise along with the reasons for not enacting the legislation by the remaining States; and

e) the steps taken/being taken by the Government to reach out consensus with the States and expedite the implementation of GST across the country?

Answer

THE MINISTER OF FINANCE
(a) to (e) A Statement is laid on the Table of the House.

STATEMENT AS REFERRED TO IN REPLY TO PART (a) to (e) of STARRED QUESTION NO. *45 ON GOODS AND SERVICE TAX ASKED BY SHRI PRABHAKAR REDDY KOTHA & SHRI DINESH TRIVEDI TO BE ANSWERED ON 18.11.2016 IN LOK SABHA

(a) The President gave his assent to the Constitution (One Hundred First Amendment) Act, 2016 on 8th September, 2016 paving the way for introduction of Goods and Service Tax (GST) regime in the Country. All the provisions of the Act have now been brought into force.

The salient features of GSTare as under:

1. Dual GST: Both Centre and States will simultaneously levy GST across the value chain. Tax will be levied on supply of goods and services, as per recommendations of the GST Council. Centre would levy and collect Central Goods and Services Tax (CGST), and States would levy and collect the State Goods and Services Tax (SGST) on all transactions within a State. The Centre would levy and collect the Integrated Goods and Services Tax (IGST) on all inter-State supply of goods and services. The IGST mechanism has been designed to ensure seamless flow of input tax credit from one State to another.

2. Destination-Based Consumption Tax: GST will be a destination-based tax. This implies that all SGST collected will ordinarily accrue to the State where the consumer of the goods or services sold resides.

3. Central Taxes to be subsumed:
i. Central Excise Duty
ii. Additional Excise Duty
iii. The Excise Duty levied under the Medicinal and Toiletries Preparation Act
iv. Service Tax
v. Additional Customs Duty, commonly known as Countervailing Duty (CVD)
vi. Special Additional Duty of Customs-4% (SAD)

4. State Taxes to be subsumed:
i. VAT/Sales Tax
ii. Central Sales Tax (levied by the Centre and collected by the States)
iii. Entertainment Tax
iv. Octroi and Entry Tax (all forms)
v. Purchase Tax
vi. Luxury Tax
vii. Taxes on lottery, betting and gambling

5. All goods and services, except alcoholic liquor for human consumption, will be brought under the purview of GST:
i. Petroleum and petroleum products have been constitutionally included as 'goods' under GST. However, it has also been provided

that petroleum and petroleum products shall not be subject to the levy of GST till notified at a future date on the recommendation of the GST Council. The present taxes levied by the States and the Centre on petroleum and petroleum products, viz. Sales Tax/VAT and CST by the States, and excise duty the Centre, will continue to be levied in the interim period.
ii. Taxes on tobacco and tobacco products imposed by the Centre shall continue to be levied over and above GST.
iii. In case of alcoholic liquor for human consumption, States would continue to levy the taxes presently being levied, i.e., State Excise Duty and Sales Tax/VAT.

The benefits of GST are as under:
1. For business and industry

i. Easy compliance: A robust and comprehensive IT system would be the foundation of the GST regime in India. Therefore, all tax payer services such as registrations, returns, payments, etc. would be available to the taxpayers online, which would make compliance easy and transparent.
ii. Uniformity of tax rates and structures: GST will ensure that indirect tax rates and structures are common across the country, thereby increasing certainty andease of doing business. In other words, GST would make doing business in the country tax neutral, irrespective of the choice of place of doing business.
iii. Removal of cascading effect of taxes: A system of seamless tax-credits throughout the value-chain, and across boundaries of States, would ensure that there is minimal cascading of taxes. This would reduce hidden costs of doing business.
iv. Improved competitiveness:Reduction in transaction costs of doing business would eventually lead to an improved competitiveness for the trade and industry.
v. Gain to manufacturers and exporters: The subsuming of major Central and State taxes in GST, complete and comprehensive set-off of input goods and services and phasing out of Central Sales Tax (CST) would reduce the cost of locally manufactured goods and services. This will increase the competitiveness of Indian goods and services in the international market and give boost to Indian exports. The uniformity in tax rates and procedures across the country will also go a long way in reducing the compliance cost.

2. For Central and State Governments

i. Simple and easy to administer: Multiple indirect taxes at the Central and State levels are being replaced by GST. Backed with a robust end-to-end IT system, GST would be simpler and easier to administer than all other indirect taxes of the Centre and State levied so far.
ii. Better controls on leakage: GST will result in better tax compliance due to a robust IT infrastructure. Due to the seamless transfer of input tax credit from one stage to another in the chain of value addition, there is an in- built mechanism in the design of GST that would incentivize tax compliance by traders.
iii. Higher revenue efficiency: GST is expected to decrease the cost of collection of tax revenues of theGovernment, and will therefore, lead to higher revenue efficiency.

3. For the consumer

Single and transparent tax proportionate to the value of goods and services: Due to multiple indirect taxes being levied by the Centre and State, with incomplete or no input tax credits available at progressive stages of value addition, the cost of most goods and services in the country today are laden with many hidden taxes. Under GST, there would be only one tax from the manufacturer to the consumer, leading to transparency of taxes paid to the final consumer.
The Government is working on a target date of 1st April, 2017 for the roll out of Goods and Services Tax (GST) in the country.

b) & c)

Presently, the GST Council has had four meetings wherein it has come to a decision on threshold turnover limit, draft rules on registration, payment, refund, returns and invoices, GST rate structure and GST compensation. All of these decisions have been based on consensus.

The deliberations of GST Council on various issues entrusted to it are in progress. With regard to compensation to States for losses post implementation, the Council has recommend the following :

i. The base year for calculating compensation would be 2015-16.
ii. A growth rate of 14 per cent would be taken for calculating the projected revenue of each state in the first five years of implementation of GST.
iii. The revenue foregone on account of tax exemptions given to specific industries by the 11 states mentioned in Article 279A (4) (g) of the Constitution will be considered for the calculation of compensation.
iv. Cess will be imposed on certain items of consumption over and above rate of 28% on items such as tobacco, luxury cars, aerated drinks etc. on which the existing incidence of taxation is much higher. This amount will be put in a separate compensation fund, out of which compensation will be given.

So far, all the decisions taken by the Goods and Services Tax Council have been arrived at by consensus.

d) As per Section 12 (4) of the Constitution (One Hundred and First Amendment) Act, 2016, the Goods and Services Tax Council shall make recommendations to the Union and the States onâ€”

- model Goods and Services Tax Laws, principles of levy, apportionment of Goods and Services Tax levied on supplies in the course of inter-State trade orCommerce under article 269A and the principles that govern the place of supply.

Since, the deliberations of GST Council are still on, the question of passing any Bill by the States regarding State GST does not arise.

e) The GST Council is represented by all States and Union Territories with Legislature and all the decisions taken by the Council so far have been based on consensus. The target date for the roll-out of Goods and Services Tax (GST) is 1st April, 2017 and the Government is making concerted efforts in the form of IT readiness, rigorous consultations, workshops and training session for the industry and traders,and all other stake holders involved.Regular meetings of the GST Council are being held to finalize various recommendations required for the rollout of GST